Senate

General Assembly **File No. 687**

January Session, 2001 Substitute Senate Bill No. 1035

Senate, May 9, 2001

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING STANDARDS FOR STATE ECONOMIC DEVELOPMENT ASSISTANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) As used in this act:

(1) "Awarding authority" means the Commissioner of Economic and Community Development, the board of directors of the Connecticut Development Authority, the board of directors of Connecticut Innovations, Incorporated and the head of any other state agency authorized to award state assistance, as defined in subdivision (2) of this section.

(2) "State assistance" means any grant, loan, loan guarantee or issuance of tax benefit not of general applicability for the purpose of economic development that is (A) made to a business entity operated for profit which has more than fifty employees, and (B) in an amount greater than five hundred thousand dollars or that, if added to any

other such state assistance made to the same business entity during the preceding five years, would total greater than five hundred thousand dollars.

Sec. 2. (NEW) An awarding authority shall not award state assistance, as defined by section 1 of this act, unless the recipient of such assistance enters into an agreement with the awarding authority, for the term of the agreement or for a period of five years following the receipt of such assistance, whichever is greater, to (1) remain in substantial and material compliance with state and federal law; (2) provide compensation to such recipient's employees in this state, including benefits or the actuarial value of benefits, that is at least equal or equivalent to the standard compensation determined in accordance with the provisions of section 4 of this act; (3) offer compensation and benefits to such recipient's part-time employees in this state that are comparable to the compensation and benefits offered to full-time employees performing comparable work, prorated as to the amount of time worked that is less than the standard for full-time employees of the recipient; and (4) maintain or increase full-time employment, based on the highest total number of full-time employees of the recipient in this state on any date during the period commencing one year prior to the date of the agreement and ending on the date of the agreement. For purposes of this section, "full-time employee" means any employee (A) receiving the full amount of any noncash benefits available to employees of the recipient, and (B) who averages, over any one-year period, not less than thirty hours of work per week as an employee of the recipient. The awarding authority may require that each recipient of state assistance provide such information as is necessary to determine compliance with the requirements of this act and shall include a requirement to provide such information in any agreement entered into that is subject to this act.

Sec. 3. (NEW) (a) If an awarding authority finds that a recipient of state assistance is not in material and substantial compliance with an agreement entered into pursuant to section 2 of this act, the awarding authority shall provide written notice, by registered mail, to the recipient and shall order the recipient to come into compliance with such agreement not less than one hundred eighty days following receipt of such notice. Failure to comply with reporting requirements set forth in such agreement shall be deemed a failure to comply with this act. If the recipient fails to come into compliance with such agreement within the one-hundred-eighty-day period, the awarding authority may (1) unilaterally rescind the agreement and require that the state be made whole by the repayment by the recipient of (A) the amount of any grant made, (B) the amount of any loan outstanding, including any interest necessary to make the state whole, or (C) the amount of any tax benefit received, or (2) impose a penalty, for the period of failure to comply, at the rate of one per cent per month or any part thereof of the amount of the grant, tax benefit or loan outstanding. The awarding authority may foreclose on any collateral or bond related to such grant, tax benefit or loan for the purpose of payment of such penalty and any costs incurred by the awarding authority in connection with collection of such penalty.

(b) Notwithstanding the provisions of subsection (a) of this section, any recipient of state assistance that reduces the number of its full-time employees, as defined in section 2 of this act, within the state by more than twenty-five per cent during the period of the agreement or a period of five years following the receipt of such assistance, whichever is greater, shall be ordered by the awarding authority to repay the amount of the state assistance received plus a penalty of five per cent of such amount.

(c) If the recipient of state assistance in the form of a loan is late in making payment of any periodic installment due on such loan, the awarding authority shall not waive any standard late fee.

(d) Annually, on or before January first, each awarding authority shall notify the Governor and the General Assembly of each recipient of state assistance that has failed to materially and substantially comply with the provisions of any agreement entered into pursuant to section 2 of this act during the preceding calendar year and the actions taken by the awarding authority with respect to such recipient.

Sec. 4. (NEW) (a) The Labor Commissioner shall determine and annually adjust rates of standard compensation for hourly clerical, service and production employees, each as a group, and for salaried clerical, service and nonmanagerial professional employees, each as a group, with respect to each type of business entity that corresponds to a business entity that is a recipient of state assistance. The awarding authority shall use such rate to determine compliance with the provisions of this act. Standard compensation shall be at least equal to the amount deemed necessary by the awarding authority, in consultation with the Labor Commissioner, if the recipient does not offer a comprehensive health benefits plan or a qualified pension plan.

(b) Nothing in this section shall be deemed to supersede or modify any collective bargaining agreement entered into by a recipient.

(c) The Labor Commissioner shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, to carry out the purposes of this section. Such regulations may include guidelines and procedures relating to the information that is required to be reported by each recipient.

LAB	*Joint Favorable C/R*	FIN
FIN	*Joint Favorable Subst.*	

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:	Cost, Potential Future Cost (GO Bond Funds) and Potential Minimal Revenue Gain
Affected Agencies:	Department of Economic and Community Development, Connecticut Development Authority (quasi-public), Connecticut Innovations, Inc. (quasi-public) and Department of Labor, various
Municipal Impact:	None

Explanation

State Impact:

It is anticipated there would be an increase in the administrative workload of the Department of Economic and Community Development (DECD), Connecticut Development Authority (CDA), Connecticut Innovations, Inc. (CII), or any other state agency, which provides economic development assistance to for-profit business. Based on past experience, it is estimated that there are approximately 20-25 new assistance agreements a year for DECD and CDA and 10 a year for CII that would be impacted. Additional agreements would be impacted due to any cumulative effect. DECD would initially need an additional employee and associated expenses at a cost of approximately $75,000. Costs would increase in future years due to the cumulative effect of the legislation. An additional 1 to 1-1/2 positions, at a cost of $75,000 to $125,000 would be required. It is anticipated that the staff administering these programs would be funded through bond funds as is current practice. It is also anticipated that the CDA will need an additional employee and associated expenses. Funds for the quasi-public employees will come from operating expenses of these entities or investment returns or investment income and will reduce funds available for future projects. This could increase the need for future bond authorizations. These costs assume that all businesses will still choose to receive assistance under the additional conditions.

Any revenue gain or savings due to the penalty provisions is anticipated to be minimal.

The bill requires the labor commissioner to determine, and annually update, standard compensation rates for hourly clerical service and production employees and salaried clerical, service and non-managerial professional employees for each type of business entity that receives state economic development assistance. He must adopt regulations concerning standard rates. The Department of Labor (DOL) may incur a cost of approximately $100,000 through the implementation of a survey to be distributed to state employees. An amount of $50,000 would come from mailing of the surveys and $50,000 of state funds would be needed to compensate a DOL staff person on a temporary basis to complete the initial responsibility. State funds are needed due to the staff of the Department of Labor's Research Division being paid through federal funds which could not be used for this purpose. Annual updates would cost approximately $10,000 on a yearly basis.

OLR BILL ANALYSIS

sSB 1035

AN ACT CONCERNING STANDARDS FOR STATE ECONOMIC DEVELOPMENT ASSISTANCE.

SUMMARY:
This bill places requirements on companies with more than 50 employees that are seeking more than $500,000 of economic development assistance from the Department of Economic and Community Development commissioner, the Connecticut Development Authority board of directors, the Connecticut Innovations, Incorporated board of directors, or other state agencies.

The bill applies to any economic development grant, loan, loan guarantee, or tax benefit that is not of general applicability. It applies if the assistance is more than $500,000 or, if added to other assistance the entity has received in the past five years, equals more than $500,000.

It requires the company to enter an agreement for at least five years (or a longer term if the agreement specifies) to:

1. materially and substantially comply with federal and state law,

2. provide standard compensation rates to its full-time and part-time employees that (a) the labor commissioner establishes and (b) includes benefits or their actuarial equivalent, and

3. maintain or increase full-time employment.

The bill establishes noncompliance penalties. It requires the funding authority to include a requirement in its agreements concerning proof that entities are complying with the bill. The authority can require entities to provide information necessary to determine compliance.

EFFECTIVE DATE: October 1, 2001

STANDARD COMPENSATION RATE

The bill requires the labor commissioner to determine and annually update standard compensation rates for six groups of employees for each type of business entity that receives state economic development assistance. The groups are (1) hourly clerical, service, and production employees and (2) salaried clerical, service, and nonmanagerial professional employees. He must adopt regulations concerning standard rates.

If the company does not offer a comprehensive health plan or a qualified pension plan, the standard compensation rate must be at least equal to the amount the funding authority considers necessary after consulting with the labor commissioner.

The bill specifies that standard compensation rates do not affect collective bargaining agreements.

FULL-TIME EMPLOYMENT

The bill requires companies to maintain or increase their "full-time" employment. It defines this term as the highest number of employees the company had on any given day in the calendar year preceding the date the agreement is signed. A full-time employee is one who (1) works, on average over a one-year period, at least 30 hours a week and (2) receives the full fringe benefits the company offers.

NONCOMPLIANCE PENALTIES

Failure to Comply With Agreement

If a funding authority finds that the company has not materially and substantially complied with the agreement, it must give it written notice by registered mail that it has 180 days to comply. If it does not comply, the state authority can:

1. rescind the agreement and require the company to repay the amount of the state grant, any outstanding loan amount (including

interest necessary to make the state whole), or the amount of any tax benefit received;

2. for the noncompliance period, impose a penalty of 1% per month of the amount of the grant, tax benefits, or outstanding loan; and

3. foreclose on any collateral or bond related to the state assistance to recoup any penalty and any collection cost

Failure to comply with reporting requirement under the agreement constitutes a failure to comply with the bill.

Failure to Comply with Full-time Employment Requirement

If an company reduces its full-time workforce by more than 25% within five years or the term of the agreement, whichever is longer, the state authority must require it to repay the state the assistance amount plus a 5% penalty.

Late Loan Payments

The bill bars a funding authority from waiving a standard late fee for any entity that has received a loan and is late in making a payment.

Authorities Report on Noncompliance Activity

The bill requires each affected funding authority to annually report to the governor and the General Assembly by January 1 the name of each company that has not complied with the bill and actions the authority took in response to the noncompliance.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Change of Reference
Yea 10 Nay 4

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 23 Nay 22